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**Finance Committee**

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**HB 1012**

**Brief Description:** Providing an annual sales and use tax holiday.

**Sponsors:** Representatives Moeller, Morrell, Barlow and Warnick.

**Brief Summary of Bill**

- Provides an annual two day sales and use tax exemption for certain school, clothing, and computer items.

**Hearing Date:** 1/12/07

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, by most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 1.4 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

**Summary of Bill:**

A two day sales and use tax exemption (tax holiday) is provided for clothing items, school supply items, school art supply items, and school instructional material items, if each item is less than \$150, and computers and school computer supply items, if each item is less than \$2000. The tax holiday applies to purchases made during the second weekend of August of each year.

Items exempt from sales tax, but used for business purposes, are not eligible for the tax holiday. The seller is relieved of the obligation to collect use tax from a buyer if the product will be used for business purposes. The buyer would remit use tax directly to the department.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.